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SIPDIS

DEPT PASS USAID FOR NATHAN PARK

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TAGS: [EINV](#) [EAID](#) [ECON](#) [AORC](#) [YM](#)

SUBJECT: YEMEN: DONOR COMMUNITY FRUSTRATION RISES

REF: 08 SANAA 1755

Classified By: CDA Angie Bryan for reasons 1.4(b) and (d).

**¶1.** (C) SUMMARY: Yemen's donor community is concerned about the long-term effectiveness of aid to Yemen. Donors worry about the lack of political commitment to development both at the presidential and the parliamentary levels. Donors remain committed to policy reform and supportive of private sector investment and NGO work. Coordination within the greater development community (and not just the primary Western actors) is important to future success. END SUMMARY.

**¶2.** (C) In a March 16 development community meeting, donor country representatives expressed concern over the situation in Yemen. Sue Wardell, Senior Director of the UK Department for International Development (DFID), characterized Yemen as at risk of becoming a failed state. Donors expressed concern that development assistance may not be making a significant difference in the long term and that a slow-moving humanitarian crisis is in the making. They also noted that although multiple international aid organizations are focused on issues of development and human welfare in Yemen, the plight of the Yemeni people appears to have received little attention from political power brokers.

**¶3.** (C) Donors expressed their common and increasing concern that President Ali Abdullah Saleh does not make Yemen's development a priority. They feel that his lack of leadership is a major roadblock to the effective implementation of development assistance. There is a distinction between the impact the development community is having at the technical level and at the political level. While work within the technical ministries has been slow, there have been some gains. Senior Yemeni leaders still do not recognize that development contributes to stability within Yemen. Therefore, they prevent progress on development issues at the political level.

**¶4.** (C) The development community feels that it must work around the parliament and endemic corruption in order to implement its programs effectively. UNDP representative Pratibha Mehta described a complete disconnect between parliamentarians and their constituents. In her interactions with the population of the Hadramout disaster area (reftel), who represent the poorest segments of Yemeni society, she noted a complete lack of expectation of help from the central government. Working around corruption has proven to be even more difficult. The Kuwaiti ambassador said that his country's Hadramout disaster aid was completely diverted and implied that "everything was stolen" by local government officials.

**¶5.** (C) The development community believes civil service and public finance reform, as well as action to reduce subsidies, particularly the diesel subsidy, is critical at this juncture, given the country's precarious financial state. Members of the development community are supportive of NGOs, which are becoming more numerous in Yemen. Donors are also supportive of private sector-led Foreign Direct Investment (FDI), but recognize the difficulty of operating in the Yemeni environment. Terrorism is not the only problem--tribal issues also play a major role in inhibiting FDI. Siemens, for example, cannot activate a gas-fired electric power plant in Mareb because of a tribal dispute along its 40 kilometer long transmission line.

**¶6.** (C) The mood at the March 16 meeting reflected the concerns of the donor community who met throughout February in a series of meetings hosted by the UK and German

ambassadors. Based on the consensus arrived in these meetings, the US, UK, Dutch, and German ambassadors met with Deputy Prime Minister of Economic Affairs and Minister of Planning and International Cooperation (MOPIC) Abdul Karim Al-Arhabi on March 9 to convey donor concern about the lack of high-level attention to macro policy reform and to encourage a more aggressive role by MOPIC. This donor group intends to pursue meetings with the Prime Minister and President.

¶7. (C) COMMENT: Already a difficult task, effectively implementing development assistance within Yemen is getting harder. In a time of economic strife due to the global economic crisis, the ROYG is struggling to balance its budget and at risk of receiving reduced development assistance from donors as they struggle with their own budgets. Coordination within the greater development community, including members of the GCC, who tend to act independently of the international community and each other in Yemen, will be crucial to future success. END COMMENT.

BRYAN